

REC Aggregators  
under  
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# Statutory Requirements

- 20 ILCS 3855/1-56 (b):
  - Annual procurement of distributed renewable energy generation (DG) RECs
    - To extent available, half from DG < 25kW
    - Balance from 25kW < DG < 2MW
  - Minimum 5-year term on DG REC purchase contracts
  - IPA to create credit req.'s for DG REC suppliers
  - IPA to solicit use of 3<sup>rd</sup> party aggregators

# Credit Requirements

- Reality: Utility is not going to pay until the RECs are transferred to its account
- Aggregator business model may vary
- Possible arrangements with DG owners:
  - Not pay DG owner until it has money in hand OR
  - Partial payments as DG production occurs OR
  - Estimate annual production and partial payment with true-up

# Credit Requirements

- IMHO: Should not be more onerous than those applied to ABC's under 220 ILCS 5/16-115C(d)(3):
  - ICC to create ABC licensure requirements, including ...
  - “financial responsibility, including the posting of an appropriate performance bond.”
- Illinois entity or qualified to do business in Illinois

# Other Requirements?

- Register with ICC or IPA?
  - If IPA has credit requirements, some kind of registration seems appropriate
  - Will be registering device with RTO & uploading production meter data on behalf of consumers
  - Aggregator will do some handling money owed to DG device owners
    - Background check?
    - Audits?
- BUT: Whole megillah of certificate of service authority docket is not necessary

# Other Requirements?

- Benefits of registering:
  - List aggregators on an agency website
  - DG device owners (customers) can find them
- Agency can recommend a standard contract form for use with DG owners
- Agency does not endorse or recommend any of the aggregators
  - E.g., Pennsylvania

# Aggregator Customer Acquisition

- Many DG devices will be installed in homes and small commercial buildings
- How does the aggregator find this market?
  - Driving around town not practical
  - Customer privacy considerations?
- Listing of aggregators on agency website

# Statutory Requirements – Aggregators

- 20 ILCS 3855/1-56 (b):
  - Minimize administrative burden on “contracting entities”
  - Aggregate DG installed capacity into groups of at least 1MW
  - Administer contracts with individual DG device owners



# Statutory Requirements – Aggregators

- Aggregating DG installed capacity into groups of at least 1MW
- Assuming each install = 3.5kW, that's about 286 customers
- BUT: Should not be a limitation on selling RECs to utility
  - Aggregator will accumulate DG kWh's until its GATS account reaches 1MWh, and then it will have a REC to trade
  - Aggregate nameplate capacity under management could be less than 1MW

# Who's Contracting with Whom?

- “Contracting entities” = utilities
- “Suppliers” = aggregators
  - Goal is to reduce utility’s administrative burden
  - Direct contract between DG device owner and utility is not the intent
- In MA, PA & NJ, aggregators purchase RECs from individual device owners, sell to utilities, others
- Two purchase and sale contracts:
  - Between DG device owner and aggregator, and
  - Between aggregator (as supplier) and utility (as contracting entity)

# Administering DG Owner Contracts

- Register owner's DG device with PJM GATS-EIS
- Periodically gather production meter data to determine DG device output
  - DG owner must have ability to measure output
  - Production vs Net Meter?
- Credit DG owner for monthly DG production
  - Portion of REC earned
- Complete sale of RECs to utility, distribute payments DG owners

# Administering DG Owner Contracts

- GATS now requires monthly data uploads
  - Check for unusual patterns
- Centralized DG production data needed
  - Will generation data be accessible through secure website?
  - Similar to Power Path, using utility acct. no.?
- Aggregator can't drive around and read meters
  - +/- 286 customers/ 1MW nameplate capacity
  - Need to be able to get this info from utility

# DG Owner – Aggregator Contract

- An output contract, 100%
- Form should be short and standardized
  - Follow example: National realtors' boards
  - Years of experience
- Approved by the IPA or the ICC?
  - Agency recommendation carries weight
- Suggested form presented
- Same form for residential as for commercial
- MA form is one page (also presented)

# DG Owner – Aggregator Contract

- Q: Does the required 5-year term apply to this contract or just to the contract between aggregator and utility?
  - Should the two contracts mirror each other?
- Reading: 5-yr. term applies to utility's annual procurement event, and to the aggregator-utility contract
- Contract with DG owner may have different term, not nec. back-to-back with aggregator-utility contract
  - Shorter: Over 5 years, home could be sold or foreclosed, or DG device damaged or destroyed
  - Longer: May help in financing the investment in DG

# Solicitation of Aggregators

- IPA conducts solicitation (1-56(b))
- Suggested model:
  - Open market
  - Aggregators compete on price (discount), terms (pay now or later) and service (e.g., customer has web access to his account)
- No limit on number of aggregators
  - Let the market shake them out
  - Compare: no limit on ABC's

# Solicitation of Aggregators

- Q: Who can be an aggregator?
  - Municipalities?
    - Different from power supply muni aggregation (opt out)
    - Impact on market if whole towns are already taken?
  - NFPs?
    - No reason not to have NFPs



# Aggregator – Utility Contract

- Here too, form should be short and standardized
- Annual contracting process
- 5-year minimum term
- Q: Take account of ramp-up period for DG installations in IL?

# PJM GATS

- GATS users (i.e., aggregator) must enter into subscription agreement with PJM-EIS
- No minimum DG capacity requirement with GATS
- No annual fee for renewable generators with aggregate generating capacity <10MW

# PJM GATS

- Without aggregation, small DG owners would have to establish their own GATS account on PJM-EIS
- Upload data to GATS (monthly)
- Would have to actively market and sell RECs

# MISO - M-RETS

- A bit more difficult
  - M-RETS Operating Procedures Sec. 3.3.2
- Total cap. of aggregated DG units (presumably per account holder) may not exceed 1MW
- Eligibility has to be verified by state commission or other regulatory entity
  - IL does not verify eligibility
  - Q: Can another state verify?
- No fee exemption for small DG

# PJM GATS & MISO

- DG in MISO territory can be handled by PJM GATS
- BUT: State of Illinois doesn't certify renewable facilities to PJM
  - And DG is not in PJM territory
- Another state regulator (e.g., Ohio) would have to certify the DG facility to PJM

# Aggregator Business Model

- Q: How about a broker of RECs?
  - Doesn't take ownership of the RECs, as would an aggregator
- Buyer and broker both “3<sup>rd</sup> Party Reps” in PJM GATS
- BUT: Brokerage means utility would be in contract with DG owner
  - Conclude: No brokers, just aggregators

# Aggregator Business Model

- Price paid by utility to aggregator
- Margin must make sense for both:
  - DG owner's ROI and
  - Aggregator's business
  - If not, fewer installations, or aggregators will be few or bad (or both)
- Price set in RFP procurement event

# REC Procurement from Aggregator

- RFP participation is costly & burdensome for aggregators
- Suggestion for <25kW DG: Participate in RFPs as “noncompetitive” bidders
  - Agree to sell the RECs at the weighted average price to be paid to winning competitive bidders of like kind RECs
- Price-neutral with regard to other bidders
- Ample precedent: Treasury auctions (31 CFR Part 356)
- Simpler and eliminates need for a separate procurement event
- Q: Same for 25kW < DG < 2MW?



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